

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

December 29, 2004

In Reply Refer To:  
Northern Natural Gas Company  
Docket No. RP05-113-000

Northern Natural Gas Company  
P. O. Box 3330  
Omaha, NE 68103-0330

Attention: Mary Kay Miller, Vice President of Regulatory and Government Affairs

Reference: Annual Adjustment to SBA Cost Recovery Surcharge

Ladies and Gentlemen:

1. On December 1, 2004, Northern Natural Gas Company (Northern) filed revised tariff sheets<sup>1</sup> and supporting schedules to establish its annual System Balancing Agreement (SBA) cost recovery surcharge for 2005.<sup>2</sup> Northern proposes a \$0.001 increase from \$0.142 to \$0.143 per dth, applicable to the reservation rate and a \$0.0001 increase, from \$0.6813 to \$0.6814 per dth applicable to the market area small customers' commodity rate under Rate Schedule GS-T. Northern requests that the proposed tariff sheets implementing the surcharge become effective January 1, 2005. Northern also states that on November 24, 2004, it filed a settlement in its general section 4 rate case in Docket Nos. RP03-398-000 and RP04-155-000, which provides for recovery of its SBA costs in its base rates and termination of the current SBA surcharge effective January 1, 2005. Northern states that, upon Commission approval of the settlement, it will refund, with interest, any SBA amounts recovered pursuant to the instant filing. The settlement is currently pending before the ALJ.

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<sup>1</sup> 70 Revised Sheet No. 50, 71 Revised Sheet No. 51, and 69 Revised Sheet No. 53 to FERC Gas Tariff, Fifth Revised Volume No. 1.

<sup>2</sup> Northern requests privileged treatment for the executed SBA agreements set forth in Appendix A to its filing pursuant to 18 C.F.R. § 388.112.

2. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214. Motions to intervene were filed by American Iron and Steel Institute, Alcoa Inc., United States Gypsum Company, and USG Interiors, Inc. (jointly); Duke Energy Trading and Marketing, L.L.C. and Duke Energy Marketing America, L.L.C. (jointly); Aquila Networks; and SEMCO Energy Gas Company. The Northern Municipal Distributors Group and the Midwest Region Gas Task Force Association<sup>3</sup> (Northern Municipal and Midwest) jointly filed a protest and a request for supplemental information identical to its joint protest filed last year in Northern's December 1, 2003, annual SBA proceeding, with one exception.<sup>4</sup> Northern Municipal and Midwest state that its protest in the instant proceeding is moot if Northern's settlement in Docket Nos. RP03-398-000 and RP04-155-000 is approved by the Commission.

3. The Commission accepts and suspends the tariff sheets listed in footnote no. 1 to become effective January 1, 2005, subject to refund and the outcome of the settlement pending in Docket Nos. RP03-398-000 and RP04-155-000. This order benefits the public because it permits the SBA cost recovery mechanism to continue pending approval of the settlement.

4. The Commission's policy regarding rate suspensions is that rate filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards.<sup>5</sup> It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results.<sup>6</sup> Such circumstances exist here where the pipeline is filing to establish its annual SBA cost recovery surcharge

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<sup>3</sup> See December 13, 2004, filing for list of represented municipal-distributor and local distribution customers.

<sup>4</sup> See *Northern Natural Gas Company*, 105 FERC ¶ 61,395 (2003). In this proceeding, the protestors raised the same concerns about the level of the surcharge, the methodology used in its calculation, and the operation of the SBA, and requested additional information and a technical conference and/or formal hearing.

<sup>5</sup> See *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

<sup>6</sup> See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).

consistent with GT&C section 51 of its tariff. Accordingly, in this case, the Commission will exercise its discretion to suspend the rates for a shorter period and permit the rates to take effect on January 1, 2005, subject to refund and subject to the condition set forth in the body of this order.

By direction of the Commission.

Linda Mitry,  
Deputy Secretary.

cc: All Parties